

Message Text

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ACTION EUR-12

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SUBJECT: CANADIAN NEWSPAPER REPORTS SALE TO CUBA BY U.S. OWNED
FLOUR MILL

1. WEEKLY TORONTO FINANCIAL POST OF FEBRUARY 8 CARRIED
FOLLOWING ARTICLE BY SHELDON GORDON ENTITLED, "YET
ANOTHER U.S. SUBSIDIARY PLANS TRADE WITH CUBA."

BEGIN VERBATIM TEXT: OTTAWA - A CANADIAN FLOUR
MILL OWNED BY AMERICAN INTERESTS HAS DECIDED FOR THE
FIRST TIME TO ACCEPT AN EXPORT ORDER FROM CUBA.

ROBIN HOOD FLOUR MILLS LTD., MONTREAL. A
SUBSIDIARY OF INTERNATIONAL MULTI FOODS LTD., HELD
A SPECIAL BOARD OF DIRECTORS' MEETING RECENTLY TO
APPROVE THE TRANSACTION, WORTH \$16 MILLION.

BUT THE CUBAN EXPORT POLICY OF ANOTHER AMERICAN-
OWNED MILL, PILLSBURY LTD., CALGARY, REMAINS UNCERTAIN.

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CANADIAN MILLERS SELL TO CUBA AS A CONSORTIUM,

WITH THE ACTUAL PURCHASE BEING MADE BY THE ISLAND'S BENEFACTOR, THE SOVIET UNION, THROUGH ITS STATE TRADING AGENCY. THE SOVIETS MOVE THE CARGO-- 280,000 LONG TONS IN 1975-- FROM CANADIAN PORTS IN THEIR OWN SHIPS, SAILING DIRECTLY TO CUBA.

OGILVIE FLOUR MILLS CO. AND MAPLE LAEAF MILLS LTD. HAVE TRADITIONALLY HAD THE LARGEST SLICES OF THE CUBA-BOUND EXPORT CONTRACT -- WORTH \$80 MILLION IN 1975-- BUT WILL REDUCE SALES IN ORDER TO GIVE ROBIN HOOD A SHARE OF THE MARKET.

PARTICIPATION OF THE AMERICAN OWNED MILLS HAS BEEN COMPLICATED BY THE U.S. TRADING WITH THE ENEMY ACT, WHICH PROSCIBES THE CUBAN MARKET FOR U.S. FIRMS AND THEIR FOREIGN SUBSIDIARIES.

AT THE END OF LAST YEAR, THE CANADIAN SUBSIDIARIES OF IBM AND LITTON INDUSTRIES BUMPED UP AGAINST THE EXTRATERRITORIALITY OF THE U.S. LEGISLATION IN CONTEMPLATING DEALS WITH CUBA. IN NEITHER CASE HAS THE TRANSACTION BEEN ABLE TO PROCEED.

LOGAN R. BROWN, PRESIDENT OF ROBIN HOOD, SAID THE PUBLICITY SURROUNDING THE TWO CASES PROMPTED HIS FIRM TO CLARIFY ITS OWN STATUS AT THE SPECIAL BOARD MEETING. ROBIN HOOD HAD NEVER SOUGHT A SLICE OF THE CUBA FLOUR TRADE. HAVING OPERATED UNTIL RECENTLY ALMOST AT CAPACITY, THE MILL HAD SEEN "NO GREAT URGENCY" FOR CUBAN BUSINESS.

BUT A SLOWDOWN IN OTHER MARKETS LATELY HAS MADE ACCESS TO CUBA MORE DESIREABLE. ALTHOUGH THE PARENT COMPANY'S APPROVAL WAS NOT SOUGHT, BROWN SAID, "THEY WERE AWARE OF THE MEETING AND ITS PURPOSE." ROBIN HOOD IS IN A GOOD POSITION TO ESCAPE LEGAL ACTION BY THE U.S. GOVERNMENT. THE TRADING WITH THE ENEMY ACT MAKES THE AMERICAN DIRECTORS OF ERRANT SUBSIDIARIES LIABLE, AND ALL OF ROBIN HOOD'S DIRECTORS ARE CANADIAN.

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INDUSTRY SOURCES SAY PILLSBURY HAS DEPT AFOUL OF THE U.S. EMBARGO. BUT PRESIDENT JOHN D'AILLY SAYS THE SUBJECT HAS NEVER ARISEN BECAUSE PILLSBURY WAS NOT ASKED TO PARTICIPATE IN THE CONSORTIUM. HE CONTENTS THAT FREIGHT RATES WOULD MAKE THE SHIPMENT OF FLOUR TO CUBA UNPROFITABLE FOR A WESTERN-BASED MILL.

INDUSTRY SOURCES ESTIMATE THAT PILLSBURY WOULD BE ENTITLED TO A 5 PERCENT SLICE OF THE CUBA TRADE. THEY EMPHASIZE, HOWEVER, THAT NON-PARTICIPATION OF THE AMERICAN-OWNED MILLS DOES NOT COST CANADA ANY EXPORT EARNINGS, SINCE THE ORDER CAN BE FILLED BY OTHER MILLS. END VERBATIM TEXT.

2. COMMENT: EMBASSY RECALLS THAT INTERNATIONAL MULTIFOODS AND PILLSBURY RECEIVED U.S. TREASURY LICENSES IN JULY 1973 TO PERMIT THEIR RESPECTIVE CANADIAN SUBSIDIARIES TO PARTICIPATE TO THE EXTENT OF ABOUT 13,000 TONS EACH IN 80,000 TON SALE OF CANADIAN FLOUR TO NORTH KOREA BY CANADIAN MILLERS' ASSOCIATION.

3. ALSO, MAPLE LEAF MILLS LTD., CITED IN THE ARTICLE IS A U.S. -CONTROLLED COMPANY, ACCORDING TO THE EMBASSY'S INFORMATION-- THE PARENT COMPANY BEING NORRIS GRAIN OF CHICAGO.
PORTER

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